# CHANGE REQUEST for FY 08-09 BUDGET REQUEST CYCLE

| | |
|---|---|
| Department: | Natural Resources |
| Priority Number: | 5 of 18 |
| Change Request Title: | State Parks Utilities |

**SELECT ONE (click on box):**

☒Decision Item FY 08-09
☐Base Reduction Item FY 08-09
☐Supplemental Request FY 07-08
☐Budget Request Amendment  FY 08-09

**SELECT ONE (click on box):**

Supplemental or Budget Request Amendment Criterion:
☒Not a Supplemental or Budget Request Amendment
☐An emergency
☐A technical error which has a substantial effect on the operation of the program
☐New data resulting in substantial changes in funding needs
☐Unforeseen contingency such as a significant workload change

Short Summary of Request: This decision item request is to increase the State Park Operations line item for an increase in utilities expenses the Division is experiencing.

Background and Appropriation History: The Division has one operating line that is used for expenses relating to the operation of 41 state parks.  The four types of expenses that are charged to the State Park Operations line item are Personal Services, Operating, Utilities and Seasonal Work Program.  This enables the Division to fund shortfalls within one expense category with funds in another expense category.  While this gives the Division the flexibility necessary to manage the volatility of these expenses, the funding of utility over-expenditures from operating is impacting the daily operations of the parks.  Utilities costs are the most difficult for the Division to control as they are impacted by consumption related to visitation, weather conditions, as well as rate changes.  Our only means of managing utility expenditures is to control usage, which generally means closing facilities earlier in the fall or opening facilities later in the spring. With the addition of new facilities over the past several years, as well as the promotion of winter usage, the impact of these rate increases is especially severe. The resulting reduction in services has the potential to have a detrimental impact on our revenue.

Over the past several years, the division has experienced a reduction in General Funds associated with the State Park Operations line item. The General Fund support has decreased from 25.7% in FY 2000-01 to 18.5% in FY 2006-07. This has resulted in a greater need for increased revenue from park facilities and visitation. The Division has strived to increase facilities that are in demand from visitors including adding electric, water and sewer to many of its campsites to allow campers with RV's better access to State Parks. However, with the increase in visitation from this population, the Division has seen a corresponding increase in utility expenses that are unable to be funded from the existing appropriation.

The increased expenses for utilities is directly related to greater consumption and higher cost of electricity, natural gas, water and sewage services. The increased costs for utilities include an increase in the following: (1) electrical hookups for RV's; (2) electricity for operation of visitor centers; (3) additional costs associated with the use of camper services buildings available at many parks; (4) full water and sewer hookups available at many campsites, and; (5) electricity for security lighting on roadways, parking lots and on the exterior of the public buildings within each park. Providing security lighting in public use areas during the nighttime hours contributes to the safety and well-being of our park visitors and staff.

Fleet costs are a direct result of park rangers patrolling the perimeter of the parks. The patrols include the camping/visitation areas as well as the natural areas of the parks. The increase in expenses for fleet is directly attributable to the increase in gas prices, increases in mileage as new parks and facilities come online and the increased cost of maintaining the vehicles as they get older and require additional maintenance. In order to ensure the safety of visitors and the park facilities, it is necessary for our staff to complete patrols of the parks. The total number of acres that are managed within the parks is 218,635 which must be routinely patrolled by park rangers.

General Description of Request:

The Division of Parks and Outdoor Recreation is required by statute to cover a portion of its operating costs with user fees. The Division has 41 parks located throughout Colorado, in locations ranging from the major urban centers along the Front Range to rural locations near the state's borders. Many parks, particularly those in rural settings and smaller communities, only cover 45 – 50 % of their operating costs with user fees due to inherent limitations on visitation and overnight use. Because of this, it is clear that the Division as a whole will never cover all operating costs with user fees. As such, the Division is recommending a partnership in which General Funds and Parks Cash Funds would contribute equally to the needs of the utilities request. This would enable the Division to focus on park operations in all locations regardless of whether they collect over 50% of their costs or not. As of FY2005-06, there are 12 parks that collect less than 50% of their operating costs The closure of these parks permanently or even for a portion of the year would impact the economy in the nearby communities and local businesses.

For the past three years, the Division has been temporarily re-allocating resources from programmatic operating budgets to utility and fleet costs to ensure uninterrupted services. This has resulted in new programs being delayed as well as the less frequent replacement of material and equipment that are used daily on the job, resulting in lower performance and productivity. The utility and fleet cost increases must be covered within the current appropriation, which impacts the operations of the parks.

The New Facilities decision items that were approved in FY07 and FY08 allowed the Division some relief from the rising fleet and utilities costs; however, the large increase in expenses from FY04 to FY07 has hampered the Division's ability to support the increases within the existing budget. The Division is in the process of applying energy efficiency measures as prescribed by the Governor's Office. These measures will be implemented in the next two years and should assist in controlling and containing costs in future years.

Consequences if Not Funded:

If this request is not approved, the Division will need to seriously consider closing developed areas like campsites earlier in the fall and opening them later in the spring.

This would impact the ability of the Division to earn revenue which will further hinder the Division. The total revenue received from all camping services in FY07 was $5.4M, with approximately 70% or $3.8M attributable to electric/deluxe campsites, which include electrical, water and sewer hookups. Based on the camping season of approximately seven months, (roughly April through October), the average monthly revenue received from the upgraded campsites is $545,624 per month. If the division were to close campsites earlier in the fall or later in the spring, it could be detrimental to the revenue of the Division.

Due to an already restricted budget, the Division is unable to absorb these additional utilities expenses within its existing appropriation. By increasing this funding, the Division will be able to mitigate the impact of non-funded inflationary increases and restore the budget to maintain its physical assets and programmatic work. This request would allow the parks to expand the programs, equipment and operations that were impacted by increasing utilities expenses to be restored. This includes more access to the visitor centers at various parks, greater access to campsites with utility hookups as well as cabin and yurt rentals. Increasing visitation and use of campgrounds has driven a large part of the utility increases over the past few years.

Calculations for Request:

| **Summary of Request FY 08-09** | **Total Funds** | **General Fund** | **Cash Funds** | **Cash Funds Exempt** | **Federal Funds** | **FTE** |
|---|---|---|---|---|---|---|
| Total Request | $377,317 | $178,664 | $198,653 | | | |
| State Park Operations | $377,317 | $178,664 | $198,653 | | | |

| **Summary of Request FY 09-10** | **Total Funds** | **General Fund** | **Cash Funds** | **Cash Funds Exempt** | **Federal Funds** | **FTE** |
|---|---|---|---|---|---|---|
| Total Request | $377,317 | $178,664 | $198,653 | | | |
| State Park Operations | $377,317 | $178,664 | $198,653 | | | |

Based on the calculations below, the actual need for the Division is $397,306, however, due to the General Fund budget limitations the Division is only requesting $397,306 minus$19,989, for a total request of $377,317 in funding for State Park Operations.

Assumptions for Calculations: The assumption for this request is based on the amount of growth from FY2004 to FY2007. As the chart below demonstrates, the growth in expenses over this period is $321,563. The percentage in growth from FY04 to FY05 was 14.66%, the percentage growth from FY05 to FY06 was 10.23% and the percentage of growth from FY 2006 to FY 2007 was 9.9%. Removing the $126,502 of increases that were approved in previous decision items results in a total need of $195,061. The fleet variable expenses have grown significantly over the past three years. The percentage in growth from FY 2004 to FY 2005 was 12.02%, the percentage in growth from FY 2005 to FY 2006 was 12.96% and the growth from FY 2005 to FY 2006 was 24.45%. Removing the $44,265 of increases that were approved in previous decision items results in a total need of $202,245. The total need for these items is $397,306, of which the Division is requesting 50% of General Fund support and the remaining 50% would be Cash Funded. Due to the large increase in expenses, this is not an expense that can be absorbed within the current operating budget of the Division.

| | | FY2003-04 | FY2004-05 | FY2005-06 | FY2006-07 | FY04 toFY07 |
|---|---|---|---|---|---|---|
| **Obj** | **Object Name** | **Amount** | **Amount** | **Amount** | **Amount** | ***Increase*** |
| 2110 | WATER AND SEWERAGE SERVICES | $140,840 | $136,977 | $141,637 | $161,612 | *$20,772* |
| 3920 | BOTTLED GAS | $131,609 | $164,778 | $191,529 | $202,956 | *$71,347* |
| 3940 | ELECTRICITY | $524,475 | $598,938 | $652,144 | $723,803 | *$199,328* |
| 3970 | NATURAL GAS | $29,696 | $47,082 | $59,436 | $59,813 | *$30,117* |
| | Total | $826,620 | $947,775 | $1,044,747 | $1,148,184 | *$321,563* |
| | | | | | | |
| | New Facilities DI FY07 and FY08 Requests | | | | | ($126,502) |
| | Revised Request | | | | | $195,061 |
| | % Growth | 14.66% | 10.23% | 9.90% | | |
| | | | | | | |
| | | FY2003-04 | FY2004-05 | FY2005-06 | FY2006-07 | FY05 toFY07 |
| **Obj** | **Object Name** | **Amount** | **Amount** | **Amount** | **Amount** | ***Increase*** |
| 2252 | RENTAL/MOTOR POOL MILE CHARGE | $428,893 | $480,448 | $542,712 | $675,403 | $246,510 |

| | | | | | | |
|---|---|---|---|---|---|---|
| New Facilities DI FY07 and FY08 Requests | | | | | | (44,265) |
| Revised Request | | | | | | $202,245 |
| % Growth | | 12.02% | 12.96% | 24.45% | | |
| | | | | | | |
| Total Needs | | | | | | $397,306 |
| | | | | | | |
| Total Request | | | | | | $377,317 |
| Average Percentage Growth | 14.04% | | | | General Fund | $178,664 |
| | | | | | Cash Fund | $198,653 |

<u>Impact on Other Government Agencies:</u> This request does not impact other Government Agencies.

<u>Cost Benefit Analysis</u>: The above chart demonstrates the large increase in utilities and fleet expenses from FY 2004 to FY 2007, which averages a 14.04% growth rate over this period. In order to absorb this large increase in rates, it would be necessary to decrease usage by the same percentage. This would result in a decrease in visitation and a corresponding reduction in camping revenue and customer benefit.

The total revenue received from parks for all services in FY 2007 was $17,656,218, of which $3,819,369 or 22% is directly attributable to electric and deluxe campsites. The total number of electric and deluxe campsite reservations for FY 2007 was approximately 190,968 camping nights. Based on the average number of people per vehicle of 1.7, the total camping related visitation is 324,646. If the Division absorbed the 14.04% growth by decreasing usage, this would entail closing campsites for a period of the camping season, proportionally, requiring a decrease of electric and deluxe campsite rentals of 26,812 and a corresponding decrease in revenue of $536,238. The basic and primitive camping revenue and nights have been excluded from the above calculation. These campsites do not use any utilities and therefore do not account for any of the growth discussed above.

While the loss of visitors would negatively impact the Division, this reduction in services would also have a large impact on the local communities and the economic benefit that is derived from visitors within the impacted regions. According to the State Park Market

Assessment Study that was completed in 2003, during a typical visit to a state park, visitors will spend on average, $65.71 within a 50-mile radius of the park. If the Division were required to close the campsites to meet the 14.04% increase in fleet and utilities by reducing the camping season, there would be a corresponding decrease to the number of visitors to the area. The total visitation loss is estimated as follows: 26,812 camping nights multiplied by 1.7 people per vehicle for a total visitation loss of 45,580. Assuming 50% of the visitors would still utilize campsites in the same vicinity; either Federal or local campsites, there would be a loss of visitation to the local community of 22,790. The loss in visitation of 22,790 divided by 1.7 people per vehicle would result in a local economic impact of $880,900 to the surrounding communities. This impact would be devastating to the communities and local businesses that depend on their state park to serve as the region's major attraction.

Implementation Schedule: The implementation schedule is not applicable to this request as the request is not a project. The additional funding requested would be available July 2008 and would cover expenditures that would occur in FY2008-09.

Statutory and Federal Authority: Section 33-10-101 to 33-15-112, C.R.S. (2007) It is the policy of the state of Colorado that the natural, scenic, scientific, and outdoor recreation areas of this state are to be protected, preserved, enhanced, and managed for the use, benefit, and enjoyment of the people of this state and visitors of this state.

Performance Measures: The Colorado Department of Natural Resources' FY 2008-09 Strategic Plan contains a vision statement that addresses five policy areas. One of those policy areas is for State Parks and is reprinted below:

**State Parks** - In light of a sustained decline in General Fund support, a major focus is placed on seeking alternative revenue streams and operating efficiencies for the Division of Parks and Outdoor Recreation. By solving the Division's budgetary problems, Colorado maintains a system of state parks across the State that offers diverse outdoor recreation opportunities, protects high quality landscapes for current and future generations, and fosters natural resource education. Colorado State Parks remains affordable to all Coloradoans, provide excellent customer service to visitors, and maintain safe, high-quality park facilities.

By providing additional funding for utility and variable mileage rate increases, this decision item will be a component of the broader effort to address Colorado State Parks' budget problems. As noted previously, budget constraints may force the Division to consider full, partial, or seasonal closure of some of the least self-sufficient state parks. This would directly impact performance related to DNR Performance Measure #2, under which the Department's goal is to increase annual visitation to State Parks. If this decision item is not approved, the Department estimates that some fraction of the 1.2 million visitors to the ten least self-sufficient state parks may be lost due to full, partial, and or seasonal park closures. The exact amount of the reduction will be largely dependent on the outcome of other budgetary and legislative proposals that will also address the Division's budget shortfall.